

Tax Increment Financing Plan

The Avid Hotel–November 2018 City of Hattiesburg, MS

PROJECT SUMMARY

I. Project Description and Location

The proposed boutique hotel is a new modern design element named “Avid” introduced by Intercontinental Hotel Group (IHG). Avid is an upper mid-scale hotel project that will be located on 40th Avenue and Lundy Street near the main intersections of Hardy Street and Interstate 59 in the City of Hattiesburg. The proposed hotel project is within walking distance of the University of Southern. The proposed hotel will include 79 guest rooms in a 4-story building that will have great visibility to Hardy Street and Interstate 59. **The project is a redevelopment project that will replace old existing metal warehousing that will be demolished to make room for the new hotel.**

II. Private Investment

The project represents an estimated private investment in excess of \$6,000,000, which includes the cost of demolition, architectural, engineering, landscaping, infrastructure, construction, furniture, fixtures, equipment, and other soft cost.

III. Jobs

Construction Jobs: It is expected that the development will create 55 to 75 construction jobs and additional ancillary trade work during construction. The payroll associated with the temporary construction jobs is estimated to be in excess of one million dollars.

Permanent Full-time and Part-Time Jobs: Upon completion of the development of the project, it is expected that the Avid Hotel will create approximately **25-35 full-time and part-time jobs** representing an estimated **payroll in excess of \$350,000 annually.**

IV. New Incremental Sales Forecast

Conservative sales projections for the new hotel expect sales to reach an estimated \$2,362,000 after completion.

Retail Sales Taxes (\$165,340)

The following table illustrates the new potential sales tax revenue for the City of Hattiesburg based on the assumption that 85% of the hotel sales will be net new sales for the city:

<u>New Sales Assumption</u>	<u>Total Sales</u>	<u>State Sales Tax</u>	<u>Tax Rebates To Hattiesburg</u>
Hotel sales	\$2,362,000	\$165,340	\$30,588
Assumption of net new sales (85%)	\$2,007,700	\$140,539	\$26,000

Hattiesburg Economic Development Tax (\$47,240 annually)

**Hattiesburg
Economic
Development
Tax**

*Senate Bill 3151, 1996
Regular Session*

A 2% tax is imposed on the gross sales of bars, hotels, motels and restaurants. This tax is in addition to all other taxes imposed. Effective December 1, 1996. No repeal date.

V. Property Taxes

The project will occupy a 1.3 +/- acre parcel, including existing warehouse structures to be demolished. Currently, combined real and personal property ad valorem taxes to the city, county and school district total \$13,361.

As a result of this proposed project, the real and personal ad valorem property taxes could reach approximately One Hundred Twenty Seven Thousand, Ninety Dollars (\$127,090)

The following is a tabular presentation of the anticipated increase in ad valorem taxes that could be generated for the City of Hattiesburg, Lamar County, and the local school district by the development.

Estimates for real and personal property tax projections below after the proposed project are based on an estimated assessed value of Seven Hundred Sixty Five Thousand Dollars (\$765,000) for land, buildings, and FF&E as provided by the developer, the city, and the county's tax assessor's office.

Real & Personal Property Taxes Estimated

<u>Entity</u>	<u>Millage Rates</u>	<u>Current</u>	<u>After Project</u>
City Real & Personal Property	(53.38)	\$4,293	\$40,836
County Real & Personal Property	(50.65)	\$4,074	\$38,747
School District Real & Personal Property	(62.10)	\$4,994	\$47,507
Totals	(166.13)	\$13,361	\$127,090

VI. Partial Listing of the Avid Hotel Project Benefits

- The project will capitalize on the growing demand for tourism, and transient business travelers.
- To accommodate the City of Hattiesburg's vision for new development and growth in the city and its' desire to provide premium luxury lodging accommodations that is convenient and safe for travelers.
- The Avid Hotel project site will act as a flagship catalyst for a newly branded franchise that will help distance the City of Hattiesburg from other similar towns, and will help continue building Hattiesburg as a great destination for business travelers.
- The project will result in the demolition of existing metal warehousing currently generating very low real and personal ad valorem taxes, into a high-quality modern hotel.
- The project will act as a catalyst for additional complimentary development opportunities in the immediate vicinity such as additional restaurants, and other retail developments attributed to increased traffic, new employment and overnight visitation.
- The project is expected to result in a private investment of over \$6 million dollars in Hattiesburg and Lamar County and will create 25-35 permanent full and part-time jobs upon completion with an estimated annual payroll in excess of \$350,000 dollars.
- The annual sales generated by the hotel development are estimated to reach in excess of \$2.3 million dollars.
- The hotel project will substantially increase property taxes above the current tax assessment to an estimated One Hundred Thirteen Thousand, Seven Hundred Twenty Nine Dollars (\$113,729) for the city, county, and the local school district.
- The proposed project could result in a sales tax rebates from the State of Mississippi to the City of Hattiesburg in excess of Thirty Thousand Five Hundred Dollars (\$30,500) annually.
- The Hattiesburg Economic Development Tax (hotel, restaurant bar tax of (2%) is estimated to be Forty Seven Thousand Two Hundred Forty Dollars, (\$47,240) used for the promotion of tourism and economic growth for the City of Hattiesburg and Lamar County.
- The project construction will significantly benefit the local economy with the purchase of building materials, hotel rooms, fuel sales, restaurants and directly benefit other local business.

VII. Project Feasibility/Assistance Requested

An extensive feasibility analysis for the project reveals that public assistance is required otherwise; the development will not go forward. The following cost factors render the development unfeasible without public participation in Tax Increment Financing to support the project.

- The high cost of the land and demolition of existing structures
- The extensive earthwork needed for the access road, and parking facilities
- The development requirements imposed by the IHG Franchise agreement result in abnormally high development costs.

The following is a list of necessary infrastructure requirements and costs that will be financed with the requested TIF funds:

Access road and related expenses	\$105,000
Parking lot, sidewalks and related improvements	\$200,000
Site work, earthwork, fill for parking and road work	\$550,000
Lighting, landscaping and drainage	\$215,000
Utility connections, water, gas, electric and sewage	\$115,000
Professional TIF related fees (engineering, design, legal, administration)	<u>\$310,000</u>
Total Site TIF Related Expenses	\$1,495,000

VIII. Tax Increment Financing (TIF)

The following **Table I** illustrates a proposed Tax Increment Financing scenario with 100% of the incremental increase of city real and personal ad valorem tax increases being pledged by the city towards the payment of the TIF Bond debt.

Table II (sidewalk option) is a scenario proposing the pledge of 100% of the incremental increase of city real and personal ad valorem tax increases, and with up to 85% of estimated rebated sales taxes received from the State of Mississippi as a result of net increases in retail sales that are generated by the project.

Table I

	<u>TIF Bond Issue</u>	<u>Estimated Annual Payment</u>	<u>Tax Increase Available</u>
<u>Terms:</u>			
15yrs. @ 5.5%	\$361,088	\$35,974	\$44,967
100% city participation			
No sales tax rebates			

NOTES: These estimates assume a 1.2 debt ratio of the net increase in taxes based on estimates of the development that were provided by the developer, city and county. Current millage rates used (city-53.38 county-50.65) with an assumed allocation of up to 100% pledge commitment of increased amounts of city real and personal ad valorem property taxes, and no pledge from the county on any incremental tax increase of county real and personal ad valorem property taxes calculated using the millage rates designated towards the proposed TIF bond debt service payments. An estimated 5.5% interest rate on a 15-year payout is also assumed in the example illustrated above.

Table II (Sidewalk Option)

	<u>TIF Bond Issue</u>	<u>Estimated Annual Payment</u>	<u>Tax Increase Available</u>
<u>Terms:</u>			
15yrs. @ 5.5%	\$569,868	\$56,773	\$70,967
100% city participation			
85% rebated sales tax pledged			

NOTES: These estimates assume a 1.2 debt ratio of the net increase in taxes based on estimates of the development that were provided by the developer, city and county. Current millage rates used (city-53.38 county-50.65) with an assumed allocation of up to 100% pledged commitment of increased amounts of city real and personal ad valorem property taxes and up to 85% of estimated rebated sales tax revenue received by the city from the State of Mississippi as a result of new retail sales; and no pledge from the county on any incremental tax increase of county real and personal ad valorem property taxes calculated using the millage rates designated towards the proposed TIF bond debt service payments. An estimated 5.5% interest rate on a 15-year payout is also assumed in the example illustrated above.

Exhibit I

Avid Hotel Elevation Rendering, and Google Map View

